

Spiritual Capital and Ethical Value Orientation as Determinants of Marketing Competitiveness beyond AI Adoption

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ARTICLE INFO

Received:
20 February 2026
Revised:
21 May 2026
Accepted:
22 August 2026
Published:
01 September 2026

ABSTRACT

The rapid shift toward digital marketing places furniture SMEs in Jepara Regency in an increasingly competitive online arena. Grounded in Resource-Advantage Theory, this study examines the influence of spiritual capital and Artificial Intelligence (AI) in marketing-on-marketing competitiveness, mediated by ethical value orientation and integrity marketing. Although AI adoption and ethical marketing have been widely studied, prior literature predominantly investigates them in isolation and lacks an explicit framework explaining how spiritual and ethical values convert technological tools into sustainable market advantage in craft-based SME exporters. Data were collected from 187 owners, managers, and marketing staff of online furniture SMEs and analyzed using SEM-PLS. The results reveal that spiritual capital significantly and directly enhances ethical value orientation, integrity marketing, and marketing competitiveness. In contrast, AI in marketing has no direct impact on competitiveness, but its effect is fully mediated by ethical value orientation. Meanwhile, integrity marketing does not serve as a significant mediator in the model. Practically, these findings imply that online furniture SMEs should not focus solely on acquiring AI technology. Instead, managers are advised to prioritize building an ethical value orientation as the critical organizational capability that converts digital tools and spiritual assets into long-term market differentiation in global trade.

Keywords: Spiritual Capital; AI in Marketing; Ethical Value Orientation; Integrity Marketing; Marketing Competitiveness; Online Furniture SMEs Jepara



Cite this as: Dwi, S. K., Ali, A., & Widiastuti, A. (2026). Spiritual Capital and Ethical Value Orientation as Determinants of Marketing Competitiveness beyond AI Adoption. *Wiga: Jurnal Penelitian Ilmu Ekonomi*, 16(2), 235–250. <https://doi.org/10.30741/wiga.v16i2.2056>

INTRODUCTION

Jepara Regency, Central Java, has long been recognized globally as the "World Carving Center" for its wood-carving tradition, passed down through generations and serving as the backbone of the local economy (Suryawijaya & Safitri, 2024). The majority of business actors in this sector are classified as Micro, Small, and Medium Enterprises (MSMEs) that produce and market wooden furniture for both domestic and export markets. In recent years, the shift in buyer behavior toward digital transactions has prompted Jepara furniture SMEs to shift their marketing strategies from conventional channels to online platforms. The experiences of several Jepara furniture exporters

show that their export marketing performance is now largely determined by the effectiveness of digital marketing in reaching cross-border buyers, as well as by supply chain efficiency and company reputation (Sholikah, Roosdhani, & Riyoko, 2025). This is reinforced by the finding that the marketing performance of Jepara furniture exporters is significantly driven by market orientation mediated by customer involvement and marketing capabilities (Ali et al., 2025). This shift opens up broader market opportunities, but at the same time places Jepara's online furniture SMEs in a much more complex competitive arena, both with other furniture production centers in Indonesia and with furniture entrepreneurs from other countries who are also vying for the global market (Jusni, Aswan, Shafiai, Baharuddin, & Thaha, 2023). A study on furniture SMEs in Java shows that entrepreneurial orientation significantly contributes to competitive advantage amid market uncertainty (Paulus & Hermanto, 2022). On the other hand, Artificial Intelligence (AI) is increasingly being adopted by SMEs in Indonesia as a tool to enhance customer service, automate business operations, and optimize data-driven marketing strategies (Santosa & Surgawati, 2024). However, behind these benefits, the use of AI in marketing has raised ethical concerns that are increasingly emerging in international literature. Although AI provides significant benefits such as predicting consumer behavior, personalizing campaigns, and enhancing customer service, consumer attitudes toward trust and privacy have emerged as the main mediators in AI adoption.

At the same time, ethical concerns emphasize the need for a more transparent algorithmic architecture (Riandhi, Arviansyah, & Sondari, 2025). The same tension is also found at the level of practical implementation: AI in marketing tends to lean toward prioritizing certain customers, market share concentration, and the potential for consumer manipulation (Naz & Kashif, 2025), while other studies show that the main issue accompanying the adoption of AI in marketing is the risk of behavioral manipulation and the lack of research on mediating variables that can prevent it (Kingsley). This phenomenon has even given rise to new terms in marketing literature, namely the cycle of "AI washing," where AI capabilities are exaggerated for marketing gain, and "AI booing," the public backlash due to unmet expectations, which together form a cycle of distrust toward AI in marketing (Ozturkcan & Bozdağ, 2025). Algorithmic opacity in AI-based recommendations has also been reported to undermine ethical accountability and trigger consumer skepticism toward AI-generated branded content (Aljarah, Ibrahim, & López, 2025). At the same time, MSMEs, including furniture MSMEs, often come under scrutiny for adversarial and manipulative marketing communication practices. In contrast, the application of ethical, integrity-driven marketing communication has been shown to positively contribute to value creation for all stakeholders (Chong & Patwa, 2023). In other words, state-of-the-art research emphasizes that the issue of trust in AI in marketing is not merely a technical-operational matter. Rather, it is an ethical-structural issue consistently reported across industries and countries. However, most of these studies still focus on generative AI-based marketing content in large-scale B2C markets or developed countries and have not yet addressed the context of craft-based SMEs, such as Jepara furniture, where cross-border buyer trust relies heavily on long-term reputation and integrity rather than on technological efficiency alone. The combination of market pressure, AI adoption, and ethical marketing is highly relevant for Jepara's online furniture SMEs, as their global competitiveness depends on reputation and buyer trust. This aligns with the view that strengthening industry performance requires integrating customer involvement in marketing (Arifin & Ali, 2023) and enhancing the resilience of financial governance to crisis risks (Widiastuti, Khajar, & Ghoniyah, 2023).

The interrelations among constructs in this research model are conceptualized based on Resource-Advantage Theory (Hunt & Morgan, 1996), which views competitive advantage as the result of effectively combining heterogeneous and valuable resources. In this study, AI in marketing is an information technology resource, whereas spiritual capital is an intangible, value-based resource. Ethical value orientation and integrity marketing are positioned as organizational mechanisms through which these resources are translated into marketing competitiveness. This perspective is consistent with previous studies highlighting the role of spiritual capital in ethical decision-making and entrepreneurial adaptability (Margaça, Sánchez-García, Cardella, & Hernández-Sánchez, 2022),

as well as the contribution of AI adoption to SME capabilities and performance (Cimino, Corvello, Troise, Thomas, & Tani, 2025). The topic of AI in marketing and ethical/integrity marketing has been extensively studied, but these two streams of literature largely continue to develop separately. A review of the literature on AI in marketing identifies "ethics and privacy" and "the application of AI in SME and B2B marketing" as emerging research themes. Yet they remain largely separate and have not been integrated into a single empirical model explaining their relationship to companies' strategic outputs (Riandhi et al., 2025). On the other hand, studies on marketing transparency and integrity generally position it as a strategy built from the internal capabilities and values of the company to enhance trust and differentiation in the eyes of consumers, without placing it in the context of competitive market pressures or AI adoption as antecedents (Montecchi, Plangger, West, & de Ruyter, 2024). In the context of Indonesia, studies on the adoption of AI in SMEs and startups have so far been dominated by technology acceptance factors such as performance expectations, facilitating conditions, and organizational readiness. At the same time, the ethical dimension of applying AI in marketing activities, including its relationship to strengthening the company's spiritual capital, has not been extensively empirically tested (Lupiyoadi et al., 2025). Thus, until now, no empirical research model based on Structural Equation Modeling has simultaneously tested how spiritual capital and AI in marketing shape the orientation of ethical values and integrity marketing as mechanisms that bridge their influence on marketing competitiveness, especially in the context of online furniture SMEs based on crafts and export-oriented like those in Jepara. This gap is the main focus of this research.

Based on the identified research gap, this study aims to examine how spiritual capital and AI in marketing contribute to the marketing competitiveness of online furniture SMEs in Jepara. Specifically, the study investigates the direct effects of spiritual capital and AI in marketing-on-marketing competitiveness, ethical value orientation, and integrity marketing. It further examines whether ethical value orientation and integrity marketing serve as mediating mechanisms through which spiritual capital and AI in marketing are translated into marketing competitiveness.

THEORETICAL FRAMEWORK AND HYPOTHESES

Grand Theory: Resource-Advantage Theory

This research is anchored in the Resource-Advantage (R-A) Theory (Hunt & Morgan, 1996), which serves as the grand theory underlying the whole conceptual model. R-A theory holds that competition among firms is essentially a contest for comparative advantage in resources, broadly defined as the tangible and intangible assets a firm control that enable it to produce market offerings valued by demand segments (Hunt, 2000). A resource generates a comparative advantage when it is heterogeneous across firms and imperfectly mobile, thereby producing a marketplace position of competitive advantage that, in turn, yields superior financial performance (Hunt & Morgan, 1996). Unlike the resource-based view, which centers mainly on resources internal to the firm, R-A theory explicitly incorporates market-level dynamics such as competitors, societal institutions, and buyer behavior, treating competition as a continuous, disequilibrium-provoking process rather than a static end-state (Hunt & Davis, 2012).

In the context of this study, R-A theory provides the theoretical basis for positioning spiritual capital and AI in marketing as two distinct categories of firm resources, an intangible-relational resource and an informational-technological resource, respectively, that generate comparative advantage once successfully converted into marketing competitiveness (Hunt & Morgan, 1996). Ethical value orientation and integrity marketing are further conceptualized as organizational resources that bridge these two exogenous resources with the endogenous market outcome, consistent with R-A theory's premise that competitive advantage is often produced indirectly, through the combination of resources, rather than through the ownership of a single resource alone (Hunt & Davis, 2012).

Marketing Competitiveness

Marketing competitiveness is the ability of a company to create and maintain a market advantage through product differentiation, efficiency, and the creation of customer value superior to competitors (Barney, 1991). This concept aligns with the Resource-Advantage Theory (Hunt & Morgan, 1996), which views competitive advantage as a manifestation of the mastery of heterogeneous and valuable resources that are reflected in a superior market position and result in sustainable superior performance; thus, marketing competitiveness can be understood as the market outcome of the process of utilizing the company's resources. This variable becomes very important for SMEs, especially export-oriented SMEs like Jepara furniture, because it determines the sustainability and growth of businesses in an increasingly competitive global value chain. Previous research shows that the marketing competitiveness of furniture SMEs is largely explained through antecedents such as market orientation and innovation (Herman, Hady, Arafah, & Invention, 2018), as well as through digital capabilities and the adoption of technologies like AI, which contribute to the performance and sustainable competitive advantage of SMEs (Cimino et al., 2025). The direction of future research is increasingly leaning toward expanding the antecedents of marketing competitiveness beyond market and technology dimensions, incorporating non-technical dimensions such as marketing ethics and integrity as sources of competitive advantage that are difficult for competitors to imitate (Borimnejad, 2025).

Spiritual Capital

Spiritual capital refers to a set of intangible resources derived from deep beliefs, transcendental values, and noble visions that guide individuals or organizations in their actions and business (Gotsis & Kortezi, 2008). This variable is important because it serves as the primary trigger for companies to respond to the environment by building competitive advantages that are based not only on profit but also on meaning and long-term goals. Previous research shows that spiritual capital positively affects organizational effectiveness by increasing commitment and internal well-being (Karakas, 2010) and directly enhances resilience and business competitiveness at the MSME level (Yadegari & Avakh Darestani, 2021). Based on these findings, it is proposed:

H1: Spiritual capital has a positive and significant impact on marketing competitiveness.

Spiritual capital also deeply influences the value orientation and ethical behavior of companies. However, its implementation often presents dilemmas: some companies view spiritual values as strong drivers of integrity and social responsibility, while others struggle to balance them against profitability pressures (Gotsis & Kortezi, 2008). Future research is directed to empirically test how spiritual capital encourages companies, especially SMEs, to proactively strengthen ethical value orientation and integrity marketing practices as both an operational foundation and a strategic response. Based on this, the following hypotheses are proposed:

H2: Spiritual capital has a positive and significant effect on ethical value orientation.

H3: Spiritual capital has a positive and significant effect on integrity marketing.

AI in Marketing

AI in marketing refers to a company's ability to leverage artificial intelligence technologies, such as predictive analytics, automation, and personalization, to support decision-making and marketing activities (Sánchez, Calderón, & Herrera, 2025). This variable is becoming increasingly important because AI is now viewed as a dynamic capability that helps companies, including SMEs, adapt to market changes and improve performance sustainably (Sánchez et al., 2025). Previous research consistently finds that the adoption of AI positively contributes to the performance and competitive advantage of SMEs (Schwaake, Peters, Kanbach, Kraus, & Jones, 2025); thus, it is proposed:

H4: AI in marketing has a positive and significant impact on marketing competitiveness.

The use of AI in marketing also raises ethical issues, including the potential for consumer manipulation, algorithmic bias, and concentration of market power, which require managers to establish a clear ethical framework for the application of AI (Naz & Kashif, 2025). These findings

indicate that the adoption of AI not only affects performance but also encourages companies to strengthen their commitment to ethical values and integrity in marketing practices to mitigate reputation risk. Future research should examine the dual role of AI as both a driver of capabilities and of ethical needs within a single model, particularly in the context of SMEs in developing countries (Sánchez et al., 2025). Based on this, the following hypotheses are proposed:

H5: AI in marketing has a positive and significant impact on ethical value orientation.

H6: AI in marketing has a positive and significant impact on integrity marketing.

Ethical Value Orientation

Ethical value orientation refers to the extent to which a company's internal values and moral principles underpin its decision-making and marketing practices (Wang & Marquis, 2025). This variable is important because it underpins the company's legitimacy in the eyes of consumers and stakeholders, especially amid growing consumer skepticism toward manipulative marketing practices. Previous research found that value orientation, including sustainability and ethics orientation, is positively related to brand competitiveness and post-market performance, as it is viewed as a strategic resource that is difficult for competitors to imitate (Frimpong, Adomako, Nguyen, & Al-Shuridah, 2025). Based on these findings, it is proposed:

H7: Ethical value orientation has a positive and significant impact on marketing competitiveness.

Integrity Marketing

Integrity marketing refers to marketing communication practices based on honesty, transparency, accountability, and fairness toward consumers and other stakeholders (Chong & Patwa, 2023). This variable is highly relevant for SMEs, given that they often come under scrutiny for adversarial and misleading marketing communication practices. Implementing integrity-based marketing is a crucial differentiator in the competitive market, especially in online transactions that rely heavily on trust between sellers and buyers. Previous research found that integrity-based marketing communication is positively related to value creation for all stakeholders in SMEs (Turyakira, 2018). Based on these findings, the following is proposed:

H8: Integrity marketing has a positive and significant effect on marketing competitiveness.

The Mediating Role of Ethical Value Orientation and Integrity Marketing

Beyond these direct relationships, Resource-Advantage Theory suggests that intangible resources often generate competitive advantage indirectly, by being converted into other organizational resources, rather than solely through a direct path to market performance (Hunt & Davis, 2012). Prior studies show that the effect of AI adoption on firm performance is frequently mediated by internal capability transformation and organizational readiness rather than occurring as an immediate, direct effect (Cimino et al., 2025; Lupiyoadi et al., 2025), while the tension between AI utilization and ethical concerns further suggests that trust- and privacy-related constructs act as mediators that translate AI capabilities into favorable market outcomes (Riandhi et al., 2025). In a similar vein, spiritual capital is theorized to shape firm outcomes not only directly but also by reinforcing ethical decision-making processes that guide organizational behavior in the marketplace (Margaça et al., 2022). Based on this reasoning, ethical value orientation and integrity marketing are proposed as mediating mechanisms through which spiritual capital and AI in marketing exert their influence on marketing competitiveness, as follows:

H9: Ethical value orientation mediates the effect of AI in marketing-on-marketing competitiveness.

H10: Integrity marketing mediates the effect of AI in marketing-on-marketing competitiveness.

H11: Ethical value orientation mediates the effect of spiritual capital on marketing competitiveness.

H12: Integrity marketing mediates the effect of spiritual capital on marketing competitiveness.

The conceptual framework and the direction of the relationships between the variables tested in this study are systematically illustrated in a structural model. This model illustrates the hypothesized paths (H1 to H12) connecting the constructs of spiritual capital, AI in marketing, ethical value orientation, integrity marketing, and marketing competitiveness. The logical flow of the testing and the causal relationships among the constructs are presented visually in Figure 1 below.

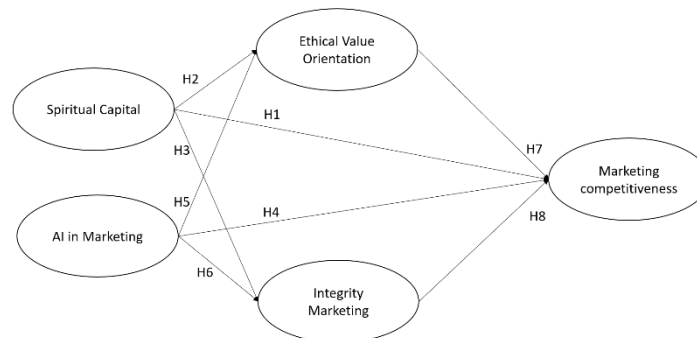


Figure 1. Research Framework

METHODS

This research uses a quantitative approach. The population includes more than 5,870 furniture MSME units in Jepara Regency, with the unit of analysis being the owners, managers, or staff directly involved in marketing activities. The sample size was set at a minimum of 110 respondents, based on a minimum ratio of 5 respondents per indicator (Ferdinand, 2014), with 22 indicators in the model, to achieve 80% power at $\alpha = 5\%$ (Kock & Hadaya, 2018). To minimize the risk of nonresponse bias and improve the accuracy of the statistical model's estimates, the sample size for the final analysis was increased to 187 respondents. Sampling was conducted using purposive sampling with three criteria: (1) owners/managers/staff involved in marketing; (2) businesses operating for more than one year; and (3) having used at least one AI-based marketing activity. Two screening questions were inserted at the beginning of the questionnaire to ensure compliance with the criteria. Primary data were collected thru an online questionnaire via Google Form containing 22 reflective items to measure five variables: Spiritual Capital (4 items), AI in marketing (5 items), ethical value orientation (5 items), integrity marketing (4 items), and marketing competitiveness (4 items) using a ten-point Likert scale from 1 (strongly disagree) to 10 (strongly agree), adapted from Ferdinand (2014). Data analysis was conducted using SEM-PLS with SmartPLS 4.0 through two stages: outer model evaluation (loadings ≥ 0.70 ; AVE ≥ 0.50 ; CR ≥ 0.70) and inner model evaluation (path coefficients, R^2 , and mediation effects via bootstrapping with 5,000 subsamples at a 95% confidence level).

Table 1. Measurement of Research Variables

No.	Variable		Source
1	Spiritual Capital	• In my online furniture business, employees work to the best of their abilities because they believe that work is a form of worship to God. • Employees in my online furniture business remain committed to working well even tho they do not receive promotions like their colleagues, including those who are more junior. • My online furniture business has core religious values, such as honesty, full commitment, care, and respect for customers.	(Khalique, Bontis, Shaari, Yaacob, & Ngah, 2018)

		• The culture of my online furniture business is based on trust, knowledge sharing, mutual respect, and reciprocal cooperation, which encourages sustainable innovation.	
2	AI Marketing	• The use of AI helps my online furniture business accurately predict customer needs. • The use of AI supports my business's marketing promotion activities by reducing human errors. • The use of AI enables my online furniture business to interact with internet users thru the utilization of analyzed data. • The use of AI plays a crucial role in the joint decision-making process within my business. • The use of AI enhances the brand awareness of my online furniture business in real time.	(Abrokwah-Larbi & Awuku-Larbi, 2024)
3	Ethical Value Orientation	• I view that solutions to ethical issues in business are usually not black or white, but rather involve various considerations. • In making decisions related to business ethics, I pay attention to the needs, desires, and interests of other parties. • I always act cautiously when producing furniture products. • I always remain rational and reasonable in making decisions related to product development. • I practice self-control in every business transaction I conduct.	(Umer, Siddiqui, 2021) (Walugembe, Mutebi, Tweyongyere, & Kusemererwa, 2023)
4	Integrity Marketing	• The manager of my online furniture business website is honest in interactions with customers. • My online furniture business provides training to employees with an emphasis on the value of integrity. • My online furniture business has company rules that regulate employee behavior related to integrity. • My online furniture business implements a strict reward and punishment system to enhance employee integrity.	(Ozdemir, Sonmezay, 2020) (Paine, 1994)
5	Marketing competitiveness	• My online furniture business uses information technology in its operations. • My online furniture business offers reliable services. • My online furniture business offers products with good durability. • My online furniture business provides high-quality furniture products to customers.	(Priambodo, Sulaeman, Permana, & Sugiarto, 2024) (Ekom Etim, Igwe, Al-Faryan, Udoh, 2023)

RESULTS AND DISCUSSION

Outer Model

The evaluation of the measurement model in this study was conducted using SmartPLS 4.0 to assess convergent validity, discriminant validity, and construct reliability. Overall, all constructs met the required psychometric standards to proceed to the structural model evaluation stage.

Convergent Validity and Construct Reliability

Table 2. Construct Validity and Reliability Test Result

No.	Variable	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
1	AIM	0.842	0.851	0.887	0.612
2	EVO	0.805	0.809	0.865	0.562
3	IM	0.806	0.813	0.872	0.631
4	MC	0.786	0.796	0.862	0.610
5	SC	0.794	0.798	0.866	0.618

Note: AIM = AI in Marketing; EVO = Ethical Value Orientation; IM = Integrity Marketing; MC = Marketing Competitiveness. SC = Spiritual Capital.

Table 2 presents the results of the convergent validity and reliability tests of all constructs that meet all psychometric standards. The Average Variance Extracted (AVE) values of all constructs are above the minimum threshold of 0.50 (AIM = 0.612; EVO = 0.562; IM = 0.631; MC = 0.610; SC = 0.618). Also supported by all outer loading indicators exceeding 0.70, this finding confirms that the indicators consistently make substantial contributions to measuring their latent constructs (Henseler, Ringle, & Sarstedt, 2015; Sarstedt, Hopkins, & Kuppelwieser, 2014). For the aspect of reliability, all constructs show adequate internal consistency because the Cronbach's Alpha values (AIM = 0.842; EVO = 0.805; IM = 0.806; MC = 0.786; SC = 0.794) and Composite Reliability (rho_c) values (AIM = 0.887; EVO = 0.865; IM = 0.872; MC = 0.862; SC = 0.866) consistently exceed the threshold of 0.70. The reliability of this model is reinforced by the Composite Reliability (rho_a) value, which accurately accounts for the indicators' weights. Thus, the measurement model in this study is declared valid and reliable.

Inner Model

R-Square

Table 3. R-Square Test Result

No.	Variable	R-Square	Adjusted R-Square
1	EVO	0.653	0.649
2	IM	0.566	0.561
3	MC	0.572	0.562

Table 3 shows the R² values for each endogenous variable in the model. Ethical Value Orientation (EVO) has an R² value of 0.653, indicating that Spiritual Capital and AI in Marketing explain 65.3% of the variance in EVO. Integrity Marketing (IM) has an R² value of 0.566, meaning that Spiritual Capital and AI in Marketing explain 56.6% of the variance in IM. Meanwhile, Marketing Competitiveness (MC) has an R² value of 0.572, indicating that Spiritual Capital, AI in Marketing, Ethical Value Orientation, and Integrity Marketing jointly explain 57.2% of the variance in MC. The R² values indicate that the model has a reasonably good explanatory power for the endogenous

variables. The results suggest that Spiritual Capital and AI in Marketing play an important role in shaping ethical value orientation and integrity marketing. At the same time, these factors, together with EVO and IM, contribute to the marketing competitiveness of Jepara's online furniture SMEs.

Table 4. Hypothesis Test Result

No.	Variable	Coefficient	Sample Mean	(STDEV)	T-Statistics	P-Value	Significant
H1	SC -> MC	0.399	0.384	0.094	4.230	0.000	√
H2	SC -> EVO	0.518	0.478	0.099	5.221	0.000	√
H3	SC -> IM	0.528	0.481	0.117	4.497	0.000	√
H4	AIM -> MC	-0.080	-0.068	0.140	0.571	0.568	×
H5	AIM -> EVO	0.373	0.374	0.070	5.326	0.000	√
H6	AIM -> IM	0.297	0.294	0.085	3.511	0.000	√
H7	EVO -> MC	0.340	0.329	0.105	3.250	0.001	√
H8	IM -> MC	0.149	0.142	0.085	1.749	0.080	×
H9	AIM -> EVO -> MC	0.127	0.123	0.044	2.871	0.004	√
H10	AIM -> IM -> MC	0.044	0.041	0.028	1.574	0.116	×
H11	SC -> EVO -> MC	0.176	0.162	0.071	2.496	0.013	√
H12	SC -> IM -> MC	0.078	0.070	0.049	1.616	0.106	×

Table 4 presents the results of the direct effect hypothesis testing through the bootstrapping procedure. Based on the test results, six out of the eight proposed hypotheses were empirically supported (P-value < 0.05). Specifically, AI in Marketing (AIM) and Spiritual Capital (SC) have been proven to have a positive and significant impact on Ethical Value Orientation (EVO) and Integrity Marketing (IM). Furthermore, SC and EVO also have a significant direct impact on Marketing Competitiveness (MC). Conversely, two hypotheses did not receive empirical support because their P-values were above 0.05: the direct impact of AIM on MC (T-statistic = 0.571; P-value = 0.568) and the impact of IM on MC (T-statistic = 1.749; P-value = 0.080).

Table 5. Specific Indirect Effect Test Result

Variable	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
AIM -> EVO -> MC	0.127	0.123	0.044	2.871	0.004
AIM -> IM -> MC	0.044	0.041	0.028	1.574	0.116
SC -> EVO -> MC	0.176	0.162	0.071	2.496	0.013
SC -> IM -> MC	0.078	0.070	0.049	1.616	0.106

Table 5 presents the results of testing the specific mediation effects through the bootstrapping procedure. Based on the testing, only two out of four mediation paths showed significant indirect effects. Ethical Value Orientation (EVO) significantly mediates the effect of AI in Marketing (AIM) on Marketing Competitiveness (MC) with a T-statistic value of 2.871 (P-value = 0.004). Also, it

mediates the effect of Spiritual Capital (SC) on MC with a T-statistic of 2.496 (P-value = 0.013). Conversely, Integrity Marketing (IM) is not a significant mediator, as its probability value is above 0.05, in both the mediation paths from AIM to MC (T-statistic = 1.574; P-value = 0.116) and from SC to MC (T-statistic = 1.616; P-value = 0.106).

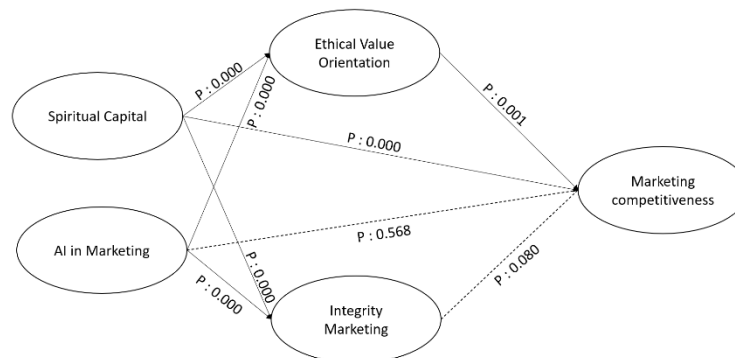


Figure 2. Result of Structural Model

Figure 2 displays the path diagram resulting from estimating the structural model (inner model) using SmartPLS 4.0.

The Influence of Spiritual Capital on Marketing Competitiveness

The first hypothesis (H1) is empirically supported. Spiritual capital, manifested in the belief that work is a form of worship, a work commitment not solely oriented toward material rewards, and the internalization of values of honesty and customer care, has been shown to contribute to increased marketing competitiveness among online furniture SMEs. These findings are consistent with the resource-based view perspective, which posits that valuable, rare, inimitable, and non-substitutable (VRIN) resources form the basis for sustainable competitive advantage (Barney, 1991). Spiritual capital, which originates from personal beliefs and is formed through a long historical process, conceptually meets these criteria. These findings reinforce previous empirical evidence that spiritual capital contributes to organizational effectiveness by strengthening employee commitment and internal well-being (Karakas, 2010), and directly influences the resilience and competitive advantage of SMEs (Yadegari & Avakh Darestani, 2021). (Gotsis & Kortezi, 2008) also affirm that spiritual values guide organizations to act in line with long-term meaning and purpose, thereby forming a foundation of competitiveness that is relatively resilient to short-term market pressures.

The characteristics of the respondents in this study further reinforce that interpretation. Most owners and managers of online furniture SMEs in Jepara Regency inherit their craft businesses from previous generations within a community context with a strong religious orientation. The indicators of spiritual capital explicitly refer to the value of work as worship, so in this population, spiritual capital represents a collective identity formed across generations, not a temporary individual construct. It therefore functions as a competitive resource that is relatively difficult for competitors to replicate.

The Influence of Spiritual Capital on Ethical Value Orientation

The second hypothesis (H2) is supported, with the strongest relationship among all paths in the structural model. This finding can be interpreted as indicating that spiritual values are the most proximate moral foundation for organizational ethical behavior: transcendental beliefs such as honesty and respect for customers conceptually underpin decision-making principles that consider the interests of other parties, not just short-term commercial interests. This finding is consistent with Gotsis & Kortezi (2008), who state that spiritual capital drives organizational integrity and social

responsibility, even though its implementation often faces profitability pressures. (Karakas, 2010) Further strengthens this argument by providing evidence that workplace spirituality contributes to organizational performance by reinforcing internal values and commitment.

The family business ownership structure that dominates this research sample provides a relevant context for the findings. The value of religious work in Jepara's furniture SMEs is generally passed down to employees and successors from the early establishment of the business, so the strong relationship between spiritual capital and ethical value orientation can be interpreted as the result of a natural value internalization process, rather than a consequence of newly introduced formal policy interventions.

The Influence of Spiritual Capital on Integrity Marketing

The third hypothesis (H3) is supported, with a relatively strong relationship. The characteristics of integrity marketing, which demand honesty and concrete openness in interactions with consumers, align with the indicators of spiritual capital that explicitly include the dimension of honesty, thereby providing a behavioral basis that is directly applicable to marketing communication practices. This finding is supported by Chong & Patwa (2023), who found that the value of integrity empowers SMEs through honest and accountable marketing communication practices, while also serving as a source of value creation for stakeholders. This argument is in line with Gotsis & Kortezi (2008), who assert that spiritual capital drives organizational integrity not only in the internal dimension but also in external relations with consumers. Given that the respondents in this study conduct their marketing activities entirely through online channels, openness of product information and price transparency become crucial factors in building consumer trust among consumers who do not interact directly with the seller. For online furniture SMEs whose work values are rooted in religious beliefs, integrity in digital marketing communication represents a natural continuation of the previously instilled value system.

The Influence of AI in Marketing-on-Marketing Competitiveness

Contrary to initial theoretical expectations, the fourth hypothesis (H4) is not empirically supported. These findings indicate that the utilization of AI in marketing does not directly enhance the marketing competitiveness of online furniture SMEs in Jepara. In the framework of Resource-Advantage Theory (Hunt & Morgan, 1996), comparative resource advantage arises only from a combination of heterogeneous resources that are difficult for competitors to imitate; as an informational-technological resource, AI in Marketing is relatively easy for other competitors to access and adopt (low imperfect imitability), so mere ownership is not sufficient to generate comparative advantage. AI needs to be combined with organizational resources that are socially complex and path-dependent, such as the company's internal values, to form a unique resource portfolio that is difficult to replicate in the market. These findings are in line with (Schwaeke et al., 2025), which show that the impact of AI adoption on the competitive performance of SMEs is often mediated by absorptive capacity and organizational readiness, rather than having an immediate effect (Lupiyoadi et al., 2025). In the context of Indonesian SMEs, it was also found that AI adoption contributes more to strengthening organizational capacity and social legitimacy than to directly improving competitive performance. Although the sample criteria for this research required at least one AI-based marketing activity, the majority of respondents were micro-small business operators with a basic level of AI adoption, such as simple predictions and content automation, rather than fully integrated AI systems within their business processes. These characteristics provide relevant context for explaining why, at this stage of adoption, technology has not yet directly contributed to marketing competitiveness without reinforcing the company's internal value.

The Influence of AI in Marketing on Ethical Value Orientation

The fifth hypothesis (H5) is empirically supported. The use of AI, particularly involving customer data processing and decision-making automation, raises awareness of ethical risks such as algorithmic bias and potential consumer manipulation, thereby encouraging the strengthening of

ethical value frameworks as a form of risk mitigation. These findings are consistent with those of Naz & Kashif (2025), who assert that the adoption of AI in marketing triggers deeper ethical reflections at the managerial level due to the demand for a clear value framework in the use of predictive technology. (Sánchez et al., 2025) also found that in the context of SMEs, the adoption of AI drives the development of ethical capabilities in response to the legitimacy pressures from increasingly critical consumers. Marketing staff and managers who are respondents in this study use AI directly in interactions with customers, thus being in the position most exposed to the ethical dilemmas of using consumer personal data. This condition is consistent with the finding that direct exposure to the technology also reinforces the ethical value orientation in carrying out marketing activities

The Influence of AI in Marketing-on-Marketing Integrity

The sixth hypothesis (H6) is empirically supported. The use of AI in digital marketing demands greater transparency, such as how customer data is processed and the mechanisms behind generated product recommendations, so that businesses adopting AI are more inclined to practice more honest and accountable marketing communication. This finding is supported by Chong & Patwa (2023), who found that SMEs adopting digital technology tend to develop integrity-driven marketing communication practices as a reputation differentiation strategy. (Borimnejad, 2025) Strengthen this argument by noting that ethical and privacy issues in AI are the main drivers prompting companies to develop more structured integrity marketing guidelines. Given that all respondents' marketing activities occur through online channels without face-to-face interaction, consumer trust becomes the primary determinant of business sustainability. For online furniture SMEs that use AI in consumer interactions, such as through chatbots or content personalization, openness and honesty in communication are essential prerequisites for building trust that cannot be achieved through direct interaction.

The Influence of Ethical Value Orientation on Marketing Competitiveness

The seventh hypothesis (H7) is empirically supported. Well-internalized ethical values serve as an intangible strategic resource that competitors find difficult to imitate (Barney, 1991), thereby directly distinguishing SMEs in the eyes of consumers who are increasingly critical of manipulative marketing practices. These findings reinforce the argument (Frimpong et al., 2025) that value orientation, including ethical and sustainability orientations, is positively related to brand competitiveness and company performance, as these values are strategic resources that competitors find difficult to replicate in the short term. Online consumers are increasingly selective about sellers that demonstrate ethical commitment, given their limited ability to directly verify product quality before making a purchase. For online furniture SMEs competing with other online businesses, an orientation toward ethical values is a concrete differentiator that can be relied upon beyond price or product quality alone.

The Influence of Integrity Marketing on Marketing Competitiveness

The eighth hypothesis (H8) is not empirically supported. These findings indicate that integrity marketing tends to contribute to competitiveness through a longer and more indirect path, such as the formation of trust and reputation over time, rather than having an immediate impact on the competitiveness indicators measured in this study. These findings are in line with Turyakira (2018), who found that ethical marketing communication practices in SMEs in developing countries are more consistently related to value creation for stakeholders than to direct impacts on short-term market competitiveness metrics. The sample criteria for this research require only that the business has been operating for more than one year, a relatively limited time frame to build a reputation for integrity that is truly earned and widely recognized by online consumers. The cross-sectional design of the research also limits the ability to capture the cumulative effects of integrity marketing, which only become apparent in terms of competitiveness over a longer period.

The Role of Mediation: Ethical Value Orientation and Integrity Marketing

The mediation effect test reveals an interesting pattern and enriches the interpretation of the previously discussed direct relationships. Ethical Value Orientation (EVO) has been shown to significantly mediate the influence of AI in Marketing (AIM) and Spiritual Capital (SC) on Marketing Competitiveness (MC). At the same time, Integrity Marketing (IM) has not proven to be a significant mediator in either pathway. This pattern confirms that EVO is a more dominant transformation mechanism than IM for converting technological capabilities and spiritual capital into real competitive advantages. These findings complement the results of direct hypothesis testing, which show that neither AIM nor IM has a significant direct impact on MC. In other words, the influence of AI in Marketing-on-marketing competitiveness depends entirely on its capacity first to strengthen the company's ethical value orientation; without the process of reconfiguring these values, technology adoption does not make a meaningful contribution to competitive advantage.

A similar pattern applies to spiritual capital, whose influence on marketing competitiveness is significantly strengthened when first translated through the reinforcement of an ethical value orientation. However, spiritual capital also has a significant direct influence on marketing competitiveness, as discussed in H1. This finding is consistent with the argument (Cimino et al., 2025) that the success of SMEs in converting technology adoption into sustainable competitive performance relies heavily on transforming internal capabilities, rather than on technology investment alone. This also reinforces the position of Borimnejad (2025), which highlights that the dimensions of ethics and privacy are important links that are still rarely tested simultaneously with technology antecedents and the company's strategic outputs.

Theoretically, this mediation pattern enriches the Resource-Advantage Theory (Hunt & Morgan, 1996) by showing that not all intangible resources carry equal weight in shaping comparative advantage. Ethical value orientation, as an organizational resource embedded in work culture and difficult to transfer between companies (imperfectly mobile), has proven to be a more essential conversion pathway than integrity marketing for transforming market resources (competition) and technological resources (AI) into a real competitive advantage in the market. In practice, these findings indicate that online furniture SMEs in Jepara need to prioritize strengthening their orientation toward ethical values as a core resource that binds the use of AI and spiritual capital into a unique, hard-to-imitate resource combination to achieve sustainable marketing competitiveness.

CONCLUSION

This research successfully tested the interconnections among constructs in the digital marketing model, grounded in Resource-Advantage Theory, among online furniture SMEs in Jepara Regency. Based on the results of the empirical analysis, it is concluded that spiritual capital is the most consistent intangible resource in the model, demonstrating a positive and significant impact both directly on marketing competitiveness and indirectly by reinforcing ethical value orientation and integrity marketing. Conversely, AI in marketing does not automatically enhance marketing competitiveness; its influence becomes statistically significant only after being fully mediated by an ethical value orientation. These findings affirm that mere ownership of technological resources is not sufficient to generate comparative advantage without being combined with organizational resources embedded in the company's internal values. Theoretically, this research enriches the Resource-Advantage Theory by demonstrating that the comparative advantage of resources is not determined by the ownership of a single resource, but rather by the quality of the combination of resources. Ethical value orientation serves as a binding organizational resource that converts technological resources (AI adoption) and value resources (spiritual capital) into a heterogeneous and difficult-to-imitate resource combination, thereby generating a real competitive advantage in the market. The finding that integrity marketing does not have a significant direct or mediating effect also adds an important nuance to the literature: as a relational resource, marketing integrity likely

requires an accumulation period before it manifests as a comparative advantage in the market (its effect is path-dependent and longitudinal), rather than an instant effect that can be captured in a cross-sectional research design.

In practice, online furniture SMEs in Jepara are urged not to focus solely on adopting AI technology, but also to strengthen the ethical and spiritual values that have become part of their work culture as a foundation for sustainable marketing competitiveness. Strengthening the orientation toward ethical values is a strategic priority, given its role as the primary mediating mechanism linking technological capabilities and spiritual capital to competitive advantage in the online market. This research has several limitations that open up opportunities for future studies. First, the cross-sectional design used has not captured the cumulative effects of marketing integrity on marketing competitiveness, which may only become apparent in the long term; a longitudinal study is recommended to confirm this. Second, considering that empirical findings show that AI in marketing does not have a direct impact on marketing competitiveness, future researchers are advised to explore contingency moderating variables such as absorptive capacity, organizational digital readiness, or the level of technology literacy among entrepreneurs, which are suspected to be important prerequisites for the effectiveness of converting AI technology into marketing competitiveness in the craft-based creative industry.

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